

STAFF REPORT

SUBJECT: Policy for Interest Earnings on Measure A Local Funds

MEETING DATE: September 1, 2011

AGENDA ITEM: 4

STAFF CONTACT: Bobbi Didier and Sarkes Khachek

RECOMMENDATION:

Discuss development of a policy for board adoption on interest earnings on Measure A local funds

SUMMARY:

SBCAG received a request for clarification as to how interest earnings on Measure A funds allocated to local agencies may be spent by local jurisdictions and Santa Barbara Metropolitan Transit District (SBMTD). The Measure A ordinance doesn't clearly specify what requirements these interest earnings are subject to, so staff is recommending that a policy be developed for adoption by the board. The policy could be drafted by SBCAG staff and returned to TTAC for discussion, or a subcommittee of TTAC could be formed to work with staff on the development of a policy.

DISCUSSION:

Measure A Ordinance 5, Section 30 Establishment of Separate Accounts- Interest states the following:

“Each jurisdiction receiving Local Street and Transportation Improvement Program funds and the Santa Barbara Metropolitan Transit District shall deposit said funds in a separate Transportation Improvement Account. Interest earned on funds allocated pursuant to this ordinance shall be expended only for the purposes for which the funds were allocated.”

As LSTI funds are being passed through to local agencies and MTD and deposited in these accounts, interest earnings are starting to accumulate. Local agencies have begun to ask, what does “only for the purposes for which the funds were allocated” mean? One interpretation is that interest must be spent on Alternative Modes in the same percentages as regularly allocated funds are spent, as specified for the respective local agency in the ordinance. For example, if 10% of funds must be expended on Alternative Transportation, 10% of interest earnings also must be expended by the locality on Alternative Transportation. Another interpretation is Interest can be spent on any eligible project specified in Appendix B1 of the ordinance.

Additionally, the Measure A Investment Plan states that each city and the County of Santa Barbara shall expend a minimum percentage of their net 30 year allocation on eligible alternative transportation projects. This requirement must be met by the fifth year of the program and every fifth year thereafter as approved by Board policy. How would interest earnings factor in the calculation depending on the interpretation selected?

Other questions that arise are:

Should interest funded projects be reflected in the annual Program of Projects adopted by the local agency?

Will interest funds and interest funded projects be audited?

How does this apply to and affect MTD's use of interest earnings?

SBCAG staff recommends that a policy be drafted for board adoption to address this issue. The board has adopted policies previously to address other implementation ambiguities not specified in the ordinance, including a policy clarifying that the Measure A local minimum alternative transportation percentage requirement for local jurisdictions be calculated cumulatively, with the percentages having to be met in the fifth year and every fifth year thereafter.

The policy could be drafted by SBCAG staff and returned to TTAC for discussion, or a subcommittee of TTAC could be formed to work with staff on the development of a policy.

Attachment: A copy of Ordinance #5 and the Investment Plan can be found at:

<http://www.measurea.net/PDFs/Amendment%20No.%201%20to%20Ordinance%205%20-%20signed.pdf>